

Testimony of
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Senate Small Business and Entrepreneurship Committee
“Increasing Government Accountability and Ensuring Fairness in Small Business
Contracting.” July 18, 2007

Mr. Chairman, Senator Snowe, members of the Committee, I am honored to come before this distinguished Committee and participate in today's hearing. I want to thank you for your long-standing leadership and efforts in support of our nation's small businesses.

My name is Patricia Rice. I am the Director of the Maine Procurement Technical Assistance Center, often referred to as the Maine PTAC. The Maine PTAC is part of the Procurement Technical Assistance Program that has 93 centers nationwide funded and administered through the Defense Logistics Agency.

The government funding provided for the program allows the Maine PTAC to offer what I consider to be our most valuable service which is one-on-one counseling by professionals knowledgeable in government procurement. This personalized counseling benefits the business because they can find reliable and timely answers to their government contracting questions.

Our center also offers:

- a bid match;
- Information on past procurements;
- Contracting workshops and training; and
- Matchmaker events held in conjunction with other PTAC programs in New England

At this time, I wish to respectfully bring to the Committee's attention a few challenges that small businesses face in government contracting.

Contract Bundling: I appreciate all the previous work of the Committee regarding contract bundling and I will add to that a Maine example. After pursuing government contracts for more than a year and then getting some small contracts; a Maine machine shop was awarded a 5 year multi-million dollar contract to make precision parts for the U. S. Army Tank Automotive and Armaments Command (TACOM). The small business ramped up, hired people, filled orders and then about 18 months later, the machine parts that he was supplying to TACOM were wrapped into a large bundled contract that ultimately went to a very large prime contractor. The company was unable to recover many of the costs of ramping up and is now not actively looking at the government market to sell his precision parts.

Contract bundling is promoted as making the contracting process more streamlined and providing cost savings to the government. However, it nearly, always results in

diminishing the opportunities of small business in government contracting. And if it is happening in Maine, it is happening in all states.

ITAR- The International Traffic in Arms Regulations (ITAR) presents a burden that is particularly hard because of the registration requirements and the fee imposed by the Directorate of Defense Trade Controls (DDTC). In separate cases, two small Maine businesses who supply a small part or component to a prime contractor found out that the small part is for a weapons system. The businesses received a letter informing them of the DDTC registration requirement and the \$1,750.00 annual fee in order to come into compliance. One such company was a woman owned business of 4 people supplying a \$49 component.

HUBZone program: While I believe the HUBZone program has been a benefit for small businesses, there are some areas that may need improvement. I have seen that a number of small businesses that could be considered located in an economically depressed area of Maine are not eligible to become HUBZone certified because of how HUBZones are defined. Some economically depressed, sparsely populated sectors get overlooked by the program because they get counted with large surrounding areas as part of the statutory formula and thus, through averaging, disqualify those rural sectors from the program. Such is the case in Penobscot County where the high employment and wages of the Bangor area lopsidedly influences the HUBZone formula to give the impression that all areas of the County are doing well.

In conclusion, while small businesses face hurdles in government contracting, I do not feel the process is broken, only strained. The federal government spends over \$350 billion per year procuring goods and services, thus offering opportunities for small businesses.

The Maine PTAC works with small businesses every day to provide them the tools they need to benefit from these opportunities. Last year that translated into over \$123 million in government contracts to Maine PTAC clients.

Nationwide the figures are very impressive; PTAC programs assisted 55,000 clients -- generating over \$14 billion in government contracts and creating or retaining over 300,000 jobs. Although the PTAP program is small, it does work!

I greatly appreciate this Committee leadership in assisting small and medium sized businesses and its focus today on government contracting. Thank you, also for your support of the Procurement Technical Assistance Program and for the honor and opportunity to testify before you.